

April 11, 2017

Subject: 2016-17 Sustainable Agricultural Lands Conservation Program Final Draft Guidelines

Reporting Period: February 2017 – April 2017

Staff Lead: Sustainable Agricultural Lands Conservation Program Staff

Recommended Action:

Approve the 2016-17 Sustainable Agricultural Lands Conservation (SALC) Program Final Guidelines (Attachment 1).

With Council approval, staff will proceed with the solicitation of projects eligible under these Guidelines via a competitive process. The SALC Program will award an amount equal to 10 percent of the auction proceeds available from the 20 percent continuously appropriated to the Strategic Growth Council from the Greenhouse Gas Reduction Fund. The actual funding level will not be determined until after the fourth auction for fiscal year 2016-17.

Summary:

This report summarizes the status of the SALC Program and the steps taken to prepare the 2016-17 SALC Program Final Guidelines, and presents an outline of next steps related to the roll out of the program.

Background:

SB 862, Statutes of 2014, established the Affordable Housing and Sustainable Communities Program (AHSC) Program, to be administered by the Strategic Growth Council (SGC, or Council), “to reduce greenhouse gas emissions through projects that implement land use, housing, transportation, and agricultural land preservation practices to support infill and compact development....”

In July 2014, the Council approved the Department of Housing and Community Development to implement the housing, transportation, and infrastructure components of the AHSC Program, and the Department of Conservation and the California Natural Resources Agency, to implement the agricultural lands protection component, which was named the Sustainable Agricultural Lands Conservation Program, or SALC.

The SALC program facilitates the reduction of greenhouse gas (GHG) emissions by protecting croplands and rangelands at risk of conversion to urban and rural residential development. The program accomplishes this by investing in two project types: agricultural conservation easements and agricultural land conservation strategies and outcomes. Projects will result in the extinguishment of development rights, thereby avoiding increases in GHG emissions by limiting opportunities for expansive, vehicle-dependent forms of development. The quantification methodology estimates the avoided GHG emissions based on the avoided vehicle miles traveled.

Status of Grant Awards from Round 1 (fiscal year 2014-15) and Round 2 (fiscal year 2015-16)

In Round 1 of the program, five strategy grants and five agricultural conservation easement grants were awarded, representing seven easements. All projects are in various stages of completion, with five easements having been fully completed, providing permanent protection to over 10,500 acres of agricultural land.

In Round 2, twenty easement grants and 1 strategy and outcomes grant were awarded. All projects are in various stages of grant development and project implementation. Seven easements under grant agreement are actively underway towards potential closure by the end of the fiscal year.

Development of the 2016-17 SALC Program Final Guidelines:

Following Round 2 award approvals in December 2016, the staff prepared and released draft 2016-17 SALC Program Guidelines for public review. These Guidelines incorporated suggestions received from various stakeholders, including comments from a public workshop with webcast on March 2, 2017. A compilation of public comment received is included as Attachment 2.

The revised draft Guidelines were prepared with consideration of comments received and with input and consultation from multiple agencies, including the California Natural Resources Agency, California Department of Food and Agriculture, California Air Resources Board, California Environmental Protection Agency, and the Strategic Growth Council staff.

Key Issues Addressed in the SALC Final Guidelines

Overall, the revisions to the 2016-17 SALC Program Guidelines are minimal, largely focused on providing clarity to the overall criteria and administrative requirements as presented in the previous round. The following information summarizes decisions around the key areas within the guidelines.

1. The program continues to support investments for two project types that protect agricultural land under threat of conversion, and allows consideration of the patterns of rezoning. The two project types are:
 - (1) Grants to cities and counties to develop local and regional land use policies and strategies that protect critical agricultural land [Sustainable Agricultural Land Strategy and Outcome Grants]; and
 - (2) Grants for agricultural conservation easements to protect lands in perpetuity for agricultural use.

No changes have been made to the eligible project types from the previous round; including how the GHG quantification methodology is applied in order to calculate avoided increases in vehicle miles travelled that would be associated with the development potential of the property. The guidelines also continue to allow applicants to account for higher density residential zoning, i.e. increases in density development when land is converted to urban uses from agricultural uses. The 2016-17 quantification methodology includes a method for determining the number of

development rights to be extinguished inclusive of instructions for determining when and how to account for higher density residential zoning.

For Strategy and Outcome grants, applicants may continue to utilize the “joint application” approach that was introduced in Round 2 of the program. This approach allows a strategy-grant applicant to partner with an agricultural conservation easement application. If both applications are competitively successful on their own merits, this will allow the strategy work to be reimbursed on an on-going manner using the agricultural easement to demonstrate that a measurable GHG reduction benefit has occurred.

Given the importance of incentivizing local government to assess and protect their agricultural land resources and the direct connection that strategies have with the agricultural conservation easements funded through the Program, staff felt it necessary to continue this option. This approach was introduced late into the process of Round 2, giving little time for applicants to understand how it worked. By continuing the option in this Round, we hope applicants will be more familiar with the way the approach has been structured. Staff is planning to hold a special workshop around the strategy & outcome grants with local government representatives. Additionally, staff will set aside time at the technical workshops to address requirements and questions about this aspect of the program.

As in previous years, the Program will set aside \$1 million for Strategy and Outcome grants, with individual grant awards up to \$250,000. Funding that is not awarded under this category, will be made available for agricultural conservation easements.

2. The criteria for projects claiming benefits to disadvantaged communities have been revised to assure benefits are meaningful in relation to the eligible project types.

The Guidelines have narrowed the options available to applicants claiming benefits to disadvantaged communities from four options to two options, by removing from the list those criteria related to recruitment policies and project work hours performed by residents of a disadvantaged community. As discovered in the previous grant round, these options provided a relatively small benefit amount in relation to the total project budget. The transaction cost of a conservation easement is generally a small component of overall projects costs since the purchase of development rights dominates project budgets.

By narrowing the options to the two that are focused on reducing flood risk to adjacent disadvantaged communities; and providing public access (such as allowing structured on-farm educational programs) and is accessible by walking within ½ mile of a disadvantaged community, the Program ensures that the criteria are more appropriate to the types of projects funded by the SALC Program. The Program continues to allow for a reduced match requirement for projects that are located in and/or benefitting a disadvantaged community per CalEnviroScreen version 2.0.

3. The Guidelines clarify the process by which properties with separated mineral rights may be addressed.

In the previous version of the guidelines, little information was provided as to how properties separate mineral rights would be considered. Disbursement of funds for the purchase of an agricultural conservation easement is contingent upon the Department’s determination that title concerns have been resolved, thus allowing funds to be placed into escrow. A more detailed

description of the process has been incorporated, noting that advance coordination with the Department is highly recommended if there are any separated mineral interests.

Updates to FY 2016-17 Quantification Methodology

ARB staff periodically reviews each quantification methodology to evaluate its effectiveness and update methodologies to make them more robust, user-friendly, and appropriate to the projects being quantified. ARB updated this SALC Program quantification methodology to enhance the analysis and provide additional clarity. The changes include the use of the new version of the CalEEMod tool (version 2016.3.1) to calculate avoided VMT through implementation of a SALC project. The new version incorporates trip rates from the Institute of Transportation Engineers 9th edition of the Trip Generation Manual. It also updates the emission factors used to determine the greenhouse gas emissions avoided from avoided VMT has been updated using fuel consumption rates from ARB's Mobile Source Emission Factor Model and carbon intensity values for different fuel types from ARB's Low Carbon Fuel Standard (LCFS) Program. Additionally it simplified methodology for determining land use designation. In the spirit of providing technical assistance for applicants submitting projects to the SALC Program, the Department of Conservation staff runs the quantification methodology model for the projects, in coordination with the Air Resources Board staff.

The "Greenhouse Gas Quantification Methodology for the Strategic Growth Council Sustainable Agricultural Land Conservation Program, Fiscal Year 2016-17" is posted to the ARB's website at: www.arb.ca.gov/cci-quantification.

Next Steps for the 2016-17 SALC Program

Upon Council approval of the Final Guidelines, staff will release a request for grant applications. The following provides the anticipated application deadlines and administrative timelines for this third round of funding (subject to change):

Release Solicitation for Projects:	April 2017
Pre-Proposal Concepts Due (Optional for applicants):	June 1, 2017
Statewide Technical Workshops:	June/July 2017
Full Proposal Deadline:	August 1, 2017
Recommendations for Award:	December 2017

Staff Report Attachments

Attachment 1: 2016-17 SALC Program Final Draft Guidelines
Attachment 2: SALC Draft Guidelines Public Comment Compilation